

## **LOCAL HOMESTEAD CREDIT REVIEW COMMISSION**

**DATE:** June 24, 2013

**CALLED TO ORDER:** 6:11 p.m.

**ADJOURNED:** 8:00 p.m.

### **ATTENDANCE**

#### ATTENDING MEMBERS

Beth Henkel, Co-Chair  
James Steele, Co-Chair  
Robert Lutz  
Frank Mascari  
Joseph O'Connor  
Vop Osili  
Marilyn Pfisterer (proxy for Jack Sandlin)  
Chris Pryor  
Dan Sellers  
Jeff Spalding

#### ABSENT MEMBERS

### **AGENDA**

Review of presentations and input received at six community meetings  
Finalize and vote on recommendations to the City-County Council

## **LOCAL HOMESTEAD CREDIT REVIEW COMMISSION**

The Local Homestead Credit Review Commission, created by the City-County Council, met on Monday, June 24, 2013. Co-Chair Beth Henkel (Local Attorney, former Department of Local Government and Finance Commissioner) called the meeting to order at 6:11 p.m. with the following members present: Co-Chair James Steele (former City Controller and former Chief Financial Officer for the City-County Council), City-County Councillor Robert Lutz, City-County Councillor Frank Mascari, Joseph O'Connor (Marion County Assessor/Commissioner), City-County Councillor Vop Osili, City-County Councillor Marilyn Pfisterer (proxy for Councillor Jack Sandlin), Chris Pryor (Metropolitan Indianapolis Board of Realtors-MIBOR), Dan Sellers (Chief Financial Officer for the Health and Hospital Corporation) and Jeff Spalding (former City Controller, serving as Controller's Designee). Chief Financial Officer Hope Tribble and Fiscal and Policy Analyst Ryan Kramer represented Council staff.

Co-Chair Henkel introduced the members of the commission and re-stated the objectives of the commission. She said that seven public meetings have been held, and there is a website available with all the information presented at those meetings, additional fiscal analysis, minutes and a tool that allows individuals to see the effect on their particular parcel should the homestead credit (HSC) be eliminated. She said that at these meetings, the commissioners and the public received a presentation regarding the fiscal condition of the City and County, as well as a presentation on the HSC from Policy Analytics, LLC. (PALLC), and the effect on individuals and other taxing units if the credit were to be eliminated. She said that the commissioners and presenters responded to questions from the public and unit representatives, and she thanked City Controller Jason Dudich, PALLC representatives William Sheldrake and Jason O'Neill, and Council staff Hope Tribble, Chief Financial Officer (CFO), and Angela Gonzalez, Assistant Clerk of the Council and clerk for this commission.

Co-Chair Steele summarized the presentations provided by Controller Dudich and PALLC. He said that the total City and County budget is approximately \$1 billion, with a General Fund budget of \$540 million. Eighty-four percent of the General Fund comes from one of the three income taxes and property taxes. Income tax revenue has dropped from 2010 to 2013 from \$268 million to \$209 million. Property tax revenue peaked in 2008 at \$256 million, while revenue projections for this year are estimated at \$235 million. This results in a combined income loss from 2010 to 2013 of approximately \$180 million to the General Fund. The Controller explained the different expense categories, and reductions in expenses. The Executive/Legislative division reduced their budgets from \$47 million to \$41 million, for a 13% decrease. Other public services decreased from \$26 million to \$25 million, a 4% reduction. Criminal Justice expenses went from \$174 million to \$195 million, which indicates a 12% increase, and Public Safety expenditures increased 4%, from \$322 million to \$335 million. He said that the City and County is projecting a 2014 structural deficit of \$55 million, starting 2014 with a General Fund balance of about \$26 million and ending the year with a deficit of \$29 million. The elimination of the County Option Income Tax (COIT) HSC would provide a net revenue increase for the City and County of approximately \$8.3

million, and is one of the options the City is considering before introduction of the 2014 budget.

Co-Chair Steele said that PALLC representatives gave a history of the COIT HSC, implemented in the 1980s at the same time the COIT was established. At that time, 100% of the COIT HSC was used to reduce property taxes, and as a result, was distributed back to the local units of government as a portion of property tax distribution. An elimination of the COIT HSC would shift \$12.8 million of COIT revenue from property tax districts to local units of government that receive COIT. Only certain taxing units receive COIT revenues. This action would result in an infusion of \$12.8 million for those units. On the flip side, currently, \$9 million of those revenues are used to reduce circuit breaker impacts on local units of government. With the elimination of the HSC, this impact reduction would be lost. The other \$3.8 million of that increase would result in increased property tax bills for some of those property owners claiming homestead credits. Less than 30% actually goes to reduce property tax bills of those with a homestead credit. Twenty-five percent of those properties with an HSC are already maxed out at the 1% property tax cap. If the taxes exceed 1% of the gross assessed valuation (AV), the property is maxed out; and these individuals will see no increase in their tax bills. Those who are not at the cap could see an increase, and the farther away from that cap they are, the greater the increase might be. Where there is a school referendum in a taxing district, the property tax bill would go up. Based on that piece of referendum currently being used for HSC, the property taxpayer would take up that difference. Co-Chair Steele said that there are detailed maps and examples available on the website of these impacts. He said that the bottom line is that property tax reforms have worked, and he cited examples of average bill decreases in the five largest taxing districts.

Jason Dudich, City Controller, Office of Finance and Management (OFM), said that he was asked to provide some detail regarding the dialogue on General Fund balances and other initiatives taken to close the deficit. He provided a handout (attached as Exhibit A) and reviewed the projected year-end balances for the 11 funds that make up the City and County General Fund. He said that these projections do not include debt service, cumulative capital and RebuildIndy funds. He said that the total fund balance projected for the end of 2013 is \$21 million, but they hope to continue to refine that number by further reductions in expenditures and enhancements in revenue. They anticipate that the General Fund balance will go negative in 2014. He said that no assumed organic growth in income tax revenue has been factored into this projection, and neither has the potential elimination of the HSC. He reviewed certain assumptions made in these projections as detailed in Exhibit A. He said that prudent financial planning calls for a 10% reserve in balances, and they should have \$56 million in cash fund balance every year for a solid fiscal standing. Getting the balance to zero would be good, but it does not get them to the ideal situation with acceptable reserves on hand. Mr. Dudich further reviewed deficit mitigation options, including eliminating unnecessary prior year encumbrances, implementing a fuel surcharge, reducing headcount without sacrificing services and doing more with less staff, and reductions in

employee liability costs. He gave several other examples of reductions in spending and revenue enhancements as listed in Exhibit A.

Mr. Spalding asked if this testimony is confined to things within the scope of the City and County to deal with, without including some thought about things beyond their scope of control. Mr. Dudich responded in the affirmative and said that none of his comments are with regard to their efforts in going before the General Assembly to lobby for changes. These are measures that are available to them now and within their power to control to some extent.

Councillor Lutz asked with 25% of homesteads already at the 1% cap, if this has an impact on the 2% and 3% ratepayers. Mr. Dudich said that their assumptions are based on more people hitting the 1%, and therefore it does impact the City, but he is not sure if it directly impacts those property owners at the 2% and 3% rates. Co-Chair Henkel said that more properties reaching that 1% cap would cause a loss of revenue to units, but it should not affect the rate for other taxpayers.

Councillor Mascari asked if the Local Option Income Tax (LOIT) levy could be raised. Mr. Dudich said that each year the Department of Local Government Finance (DLGF) tells them what the rate should be. The most they could generate is \$58 million. The 2013 rate is 0.27, which generates about \$44 million. In order to generate the full amount allowed by the DLGF of \$58 million, that rate would need to increase to between 0.32 and 0.35. He said that the rate changes each year to generate that maximum amount. Councillor Mascari said that four years ago, this rate was lowered from 1.65 to 1.62. He asked what the loss in revenue is over the last three years due to this reduction. Mr. Dudich said that the loss was \$180 million. Going from a 1.65 rate to a 1.62 rate, which is about a \$5 million LOIT levy freeze, drove \$5 million back into the taxpayers' pockets. Councillor Mascari said that no one anticipated the dip in the economy at the time that decision was made, and he asked who made that decision. Mr. Dudich said that the Marion County Income Tax Council (MCITC), which includes the members of the City-County Council and the councils of other excluded cities and towns, made that decision, and the Mayor signed off on it. Mr. Spalding said that the trigger for the three-tenths percent decrease was the action of the DLGF setting the maximum rate for that tax in 2010 at 0.27. He said that it was not just an idea of the City and County, but was in response to an action taken by the State. .

Councillor Lutz asked where they get this number. Mr. Spalding said that this is the amount of levy forgone through levy freezes. This was a conscious decision made by the income tax council to forego any levy growth. Mr. Dudich said that on or around August 1 of each year, the State certifies the income tax distribution. By August 31 of each year, they look at that amount that has been collected or distributed, and decide what rate to put in place to generate that \$58 million. The rate is based on a math formula, and they send a document to every entity with a levy freeze informing them of the maximum rate they can charge, thereby setting the ceiling on that rate. Co-Chair Henkel said that it would take affirmative action on the part of the MCITC to raise that

rate. Councillor Lutz asked if this has to take place by October 1. Co-Chair Henkel said that the full action has to be completed by November 1. Mr. Dudich said that the MCITC can meet prior to August 1 and create a resolution within their body, with 30 days to act on it, and each council has a percentage vote as a member of the full MCITC.

Co-Chair Henkel said that there will be no public testimony at this meeting and she asked Co-Chair Steele to explain the voting process. Co-Chair Steele said that this has not been a simple process, and the charge of the committee was to review the COIT HSC and make a recommendation to the City-County Council as to what should happen to that credit. One option would be to eliminate it, one would be to retain it, and a third would be to phase it out gradually. The commission was also charged with looking at other possible recommendations, and at the last meeting the group came up with seven possible recommendations. He reviewed the seven recommendations as discussed at the last meeting:

1. Continue City/County efficiency measures to reduce spendign
2. Additional funding for Auditor (hire outside help to help identify violations of HSC claims)
3. Additional funding for Assessor (Eliminating the backlog of appeals would help other units)
4. Increase LOIT levy freeze rate (raise to the maximum amount allowed by DLGF to provide an additional \$14 million in revenue to the local units of government) This would not help the schools, but it would provide an additional \$500,000 for IndyGo, \$900,000 for the Library, and \$2.6 million for Health and Hospital Corporation (HHC).
5. Provide funding for Library and IndyGo (cover net loss in revenue through an off-the-top distribution)
6. Phase in Public Safety COIT rate increase (provide additional funding for staffing and operations for public safety)
7. Establish Tax Increment Financing (TIF) Assessed Valuation (AV) pass-through policy. Currently passing through about \$1.3 billion of TIF AV back to the base, which reduces tax rates and reduces the circuit breaker impact for all unts of government that receive property tax. If the same amount is passed in 2014, it would result in a reduction of circuit breaker loss in the amount of \$25.4 million to all local units, and an \$11.9 million reduction in circuit breaker loss for schools.

Co-Chair Steele said that the first ballot will be cast to either agree or disagree with each of these recommendations, and the Council can then gauge the strength of each recommendation based on the number of those commissioners who agree or disagree with each item.

Co-Chair Henkel said that before voting, she wants to discuss an issue that came up earlier. She said that Councillor Pfisterer is here this evening on behalf of commission member Jack Sandlin, as his proxy. She said that in reading the rules of the

commission and the resolution that set up the commission, this causes something of a dilemma when considering a vote. She said that as she reads the rules, a proxy can participate in the discussion, but a recommendation must be made by six members of the commission. Her concern is that in taking a ballot vote, Councillor Pfisterer's vote, as a proxy, may not be allowable; and she would like to consult with the Council's attorney on this matter. Councillor Pfisterer said that she could write her name on her ballot and when the votes are tallied, her vote could be kept separate. Then once they have a ruling from the Council attorney, they could either include that vote in the official numbers or exclude it, based on his ruling. Co-Chair Henkel said that Councillor Pfisterer's vote could then be handled as a provisional ballot. Mr. Spalding said that he would be comfortable with Councillor Pfisterer voting if Councillor Sandlin gave her instructions on how to vote for him. Co-Chair Henkel said that she believes treating it as a provisional ballot would be the best way to handle it, until they can get legal clarification. Councillor Pfisterer said that she and Councillor Sandlin did discuss how to vote on the elimination of the homestead credit, but they did not discuss all of these recommendations listed.

Co-Chair Steele said that this is a bi-partisan commission with five appointments by the Mayor, five by the Council, and five of the members being elected officials. He said that this will help to promote a more unbiased decision, and he is proposing to use ballots for the votes so that the Council can gauge the level of strength of each recommendation based on the number of votes received. He said that the first ballot following the recommendations will be whether or not to retain current funding of the local homestead credit, eliminate the current funding, or phase out the current funding. He said that if the phase out option is chosen, then there is a choice to either phase the credit out over three years by one-third reduction each year, or to phase the credit out in two years, cutting it in half the first year.

Councillor Lutz said that this is a public body, and he has strong concerns about casting a secret ballot. He said that taxpayers are watching this issue closely, and he does not feel they should do anything in anonymity. He said that they should be able to stand up for what they believe, and if the taxpayer is going to bear the brunt of their decision, then they should know how each person voted and the members should not hide behind a secret ballot. He moved to cast the ballots publicly. Councillor Mascari agreed and seconded the motion. Co-Chair Steele said that he is comfortable polling the commission members, and if the majority agree to open voting, they can proceed in that manner.

Mr. Spalding said that he respects Councillor Lutz's suggestion, but added that this is not the body making an official decision on this matter. This is a special review commission, and not all of the members are elected and are not necessarily accountable to the public. He said that with secret ballots, the public would still have a transparent result. The elected officials may feel an open vote is important, but those who are not elected may not feel as comfortable with that.

Councillor Lutz said that he used to sit and watch the Metropolitan Development Commission and Zoning Appeals Board meetings, and it drove him crazy that votes that affect the people were being done in secret. He said that he believes they should tell the people how they vote and why they voted that way.

Co-Chair Steele asked for consent to take an open vote as per Councillor Lutz's motion. The motion carried. Co-Chairs Steele and Henkel and Mr. Spalding said that they are neither really opposed to or in support of open voting, but are fine with the consent of the commission.

Co-Chair Steele asked that they still have the votes in writing and asked each member to put their name at the top of their ballot. He said that the clerk can then read off the votes for each member. He said that he would prefer to vote on the recommendations first.

Mr. Sellers said that on some of these, he does not necessarily feel he agrees or disagrees with the recommendation without further investigation. He said that he does not have enough knowledge on some of them to say that they should do it, but would be in favor of saying the issue should be looked into and weighed. He said that he would like to agree to increase the LOIT freeze rate, but he is not really sure it is the right thing to do without further study. Co-Chair Steele said that these are simply ideas that came up in commission discussion regarding some support for consideration to the Council. It would be up to the Council to review each of these recommendations in depth. These are simply recommendations for their consideration. Co-Chair Henkel said that voting to agree simply means the members agree that these are options the Council should consider, but they are not necessarily saying the LOIT levy freeze rate should automatically be increased. Mr. Spalding said that he views these as open-ended questions, and each person should determine in his or her own heart and mind what the question means to them.

Councillor Osili said that he is also concerned about putting some of these suggestions down as a recommendation, because while it may seem reasonable, he is not comfortable making a recommendation on some of these items without further study.

Mr. Pryor said that there are some of these items he can agree to without hesitation this evening, but there are others that should be considered in the bigger mix of options, and they are in a "gray" category for him. Co-Chair Steele said that these are not intended to be the full list of options, but just the ones that came up in hearing discussions.

Co-Chair Henkel suggested a third box be added for each recommendation for "Further Review." She said that this might make some members feel more comfortable. The Commission consented to the change in the ballot. Votes were recorded and read by the Clerk as follows:

1. Continue City/County efficiency measures to reduce spending.  
*All nine members and one proxy (Pfisterer) in agreement.*
2. Additional funding for Auditor.  
*All nine members and one proxy (Pfisterer) in agreement.*
3. Additional funding for Assessor.  
*Seven members and one proxy (Pfisterer) in agreement, Two members (O'Connor and Lutz) recommend further review.*
4. Increase LOIT levy freeze rate.  
*Six members and one proxy (Pfisterer) recommend further review; Two members (Spalding and Steele) in agreement; One member (Lutz) disagrees to recommend.*
5. Provide funding for Library and IndyGo.  
*Five members in agreement; Four members and one proxy (Osili, Sellers, Pryor and Pfisterer) recommend further review; One member (Spalding) disagrees to recommend.*
6. Phase in Public Safety COIT rate increase.  
*Seven members and one proxy (Pfisterer) in agreement; Two members (Lutz and Spalding) disagree to recommend.*
7. Establish Tax Increment Financing (TIF) Assessed Valuation (AV) pass-through policy.  
*Eight members and one proxy (Pfisterer) in agreement; One member (Pryor) recommends further review.*

Co-Chair Steele asked members to use ballot number one to vote whether to retain, eliminate or phase out the homestead credit. He said that if there is not a clear recommendation, they will then eliminate one of the options and vote on those two options with the most votes using ballot number two. He said that voting for the degree of phase out at the bottom of the ballot will eliminate a third step if the phase out option is chosen. Votes were recorded and read by the Clerk as follows:

- Four members (Mascari, Sellers, Osili and Lutz) voted to retain the current homestead credit funding
- Two members (Spalding and Pryor) voted to eliminate the current homestead credit funding
- Three members (Steele, Henkel and O'Connor) and one proxy (Pfisterer) voted to phase out the current homestead credit funding



Co-Chair Steele said that since there is no clear recommendation of six members, they will eliminate the option with the fewest votes (the elimination of the homestead credit) and vote again. Votes were recorded and read by the Clerk as follows:

- Four members (Mascari, Sellers, Osili and Lutz) voted to retain the current homestead credit funding
- Five members (Steele, Henkel, Spalding, Pryor and O'Connor) and one proxy (Pfisterer) voted to phase out the current homestead credit funding.

Co-Chair Steele said that there are not six legal members voting clearly one way, which is the guideline set forth in the resolution establishing this commission.

Councillor Lutz said that in most cases a proxy serves as a shareholder, but the language included in this resolution seems to limit the authority of a proxy. Councillor Mascari said that without including Councillor Pfisterer's vote, the consensus still seems to be to recommend phasing out the credit by a vote of 5-4.

Co-Chair Steele said that he does not think voting again will change anyone's mind and make the vote clearer.

Mr. Pryor said that ultimately, this commission is just making a recommendation. Therefore, they could report the vote as it is, including Councillor Pfisterer's vote as proxy, and let the Council weigh the votes.

Co-Chair Steele said that the commission would then be recommending a phase out of the credit based on five members and one proxy voting for that option, and four members voting to retain the credit. Councillor Lutz said that he would have no issue with making the recommendation in this way.

Co-Chair Steele asked the Clerk to report on the vote results regarding the phase out period. Votes were reported as follows:

- Five members (Steele, Henkel, Spalding, Pryor and O'Connor) and one proxy (Pfisterer) voted to phase out the current homestead credit funding with the 2014 rate at one half the current rate and the 2015 rate at zero.
- Four members (Mascari, Sellers, Osili and Lutz) voted to phase out the current homestead credit funding with the 2014 rate at two-thirds the current rate, the 2015 rate at one-third the current rate, and the 2016 rate at zero.

Co-Chair Steele said that the commission would then be recommending a phase out of the credit at one half the current rate based on five members and one proxy voting for that option, and four members voting a phase out of the credit at one-third the current rate.

Co-Chair Steele asked for any further comments or explanation of votes from commission members.

Councillor Lutz said that he sent an e-mail out to his constituents to ask for their input on this issue. The ones who replied were very vocal in their wish to retain the credit, but he did not get a lot of feedback to really get a clear understanding of how they want him to vote. In his personal opinion, he feels it makes sense to eliminate the credit, but he will not bear the burden of this decision. The taxpayers will bear the burden, and therefore, he would like to know what they have to say before making a recommendation to the Council. Councillor Lutz said that he also has some other concerns regarding spending issues by the City and County that he feels need to be resolved to address the shortfall, instead of raiding taxpayers for new revenue.

Mr. Sellers said that he was chosen as the representative for the municipal corporations, schools and other civil taxing units. He said that the two entities most negatively impacted by this action would be municipal corporations and schools. Whether the money is for debt service and transportation or actual education expenses, losing \$3.9 million will have a very strong impact. With the funding formula the way it is at the State, the schools are already using General Funds to support busing and debt service, and this will just exacerbate the problem. The municipal corporations will be impacted by a loss of \$1.2 million. He met with all these groups, and the consensus is that the commission not recommend the elimination of the credit, even though they recognize it will probably happen sometime in the future, if not at this time, in order to align taxes correctly and remove subsidies. He urged the Council to look at the other recommendations by the commission to prevent unintended consequences of removing this credit. He said that the commission was created to look into this possibility and other revenue sources to see that the taxing units are properly funded and that the distribution of taxes is working properly. He encouraged the Council to continue in that exploration.

Councillor Lutz agreed with Mr. Sellers and said that he is glad the commission was set up to look into this issue more thoroughly. He said that when this idea was first introduced last year for the budget process, he agreed to be a co-sponsor on the proposal to get the idea introduced. Then everyone ran from the prospect of eliminating this credit. After talking to the superintendent of Wayne Township Schools, he felt they needed to have a discussion in the community about where funding sources come from, how they are used, and what they need to do moving forward. He said that the Council does not have control over all these units' spending or tax distributions, but they do have some influence at the State level and they need to be cognizant of where revenues come from, at least. He said that they need to understand the system and how it relates to the revenue the taxing units need to raise. He concluded that he is not sure everyone on the Council understands all this.

Councillor Osili said that he voted to retain the credit, because until they are able to mitigate the losses for these taxing units, it places an undue and unexpected burden on

these folks who are already impacted by the property tax caps. Adding another burden to the burden they are already facing would not be right. He said that this commission has provided seven suggestions, and the Council probably needs to consider a few more. They need to create other commissions like this one to explore those options, because they need to find additional sources of revenue. He said that not a single person he has spoken to has been in favor of eliminating this credit, and there has been no public testimony in favor of this action.

Co-Chair Henkel said that the next step is to clear up the matter of Councillor Pfisterer's vote through counsel, and the question about whether or not the recommendation can proceed to the Council without an affirmative vote of six members. She said that they may consider one last meeting if they need to have a clearer recommendation. Ms. Tribble said that it may be difficult to find a viable option for another meeting, given the timing for the final report. Co-Chair Steele said that they would only need clarification on the designee's vote, and if the Council attorney deems that a proxy cannot vote as a member; there would, in his opinion, be no official action of this commission, even though five of the nine members in attendance voted to phase out the elimination. There were still four who voted to retain, and the outcome could have been different if all ten members had been in attendance. He said that maybe they should vote to see if members are comfortable reporting their recommendations out as is or need to hold another meeting and vote with all members present.

Mr. Pryor said that this City is operating under the new era of tax caps, which the voters overwhelmingly approved. Eliminating this homestead credit becomes difficult when looking at the impact on some taxpayers and local units of government; but it is important to realize that there are other ways to look at increasing revenues, such as the recommendations brought up by this commission, so that taxes can be re-aligned for their original purpose. He said that this is why he supported the vote to eliminate the credit.

Mr. Spalding said that this is an example of the tyranny of the *status quo* that legislative bodies get caught up in. He said that they cannot do anything that will hold every single person or entity harmless, so they do not make change, even though it may be prudent. He said that as a former City Controller, he understands how all the moving parts and pieces work, and if he thought there was some other mix or cocktail of actions that could move the City forward, he would have supported it, as well; but they have to move forward.

Councillor Mascari moved that they hand the results and recommendations to the Council as is. He added that he is not available the first week in July for an additional meeting, and getting 100% attendance in a timely manner may be difficult. He said that there will be a long deliberation at the Council level, and room for more discussion there. Assessor O'Connor seconded the motion.

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Co-Chair Henkel asked to make a friendly amendment to Councillor Mascari's motion and ask the attorney to clarify how Councillor Pfisterer's proxy vote will be included in these recommendations. Councillor Mascari agreed to the friendly amendment, and Assessor O'Connor seconded the amended motion.

The motion to send the recommendations to the Council as is, with clarification on the vote by proxy, carried by a vote of 9-1, with Councillor Lutz casting the negative vote.

Councillor Lutz explained that he voted against the motion because he does not believe they have the authority to make a recommendation without six votes one way or the other, according to how the resolution is written.

Co-Chair Steele thanked the commission members and said that they have all been great to work with. He thanked the public and the units for coming to meetings and providing input, and he believes this has been a very informative process. He thanked everyone for their diligence and their participation in meetings. Co-Chair Henkel agreed, and said that the next action will be for her and Co-Chair Steele to work with Ms. Tribble to provide a report to the Council. There being no further business, and upon motion duly made, the meeting was adjourned at 8:00 p.m.

Respectfully Submitted,

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Beth Henkel, Co-Chair

BH:JS/ag

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James Steele, Co-Chair

## Local Homestead Credit Review Commission

June 24, 2013 Meeting

Update on Fund Balances and Savings/Revenue Initiatives – Prepared by OFM

### General Fund Balances

The City and County General Fund, as reported by the Controller's Office, consists of 11 funds that make up 54% of the overall budgeted revenue. The primary source of revenue for the general funds is income taxes and property taxes. Other funds exist that are funded through taxes or mandatory fees, but are not included as General Funds. Based on estimations by the Office of Finance and Management as of mid-June, the information below estimates the ending fund balances for the 11 funds included in the general fund:

<i>\$'s in \$1,000's</i>	2012 Year End Balance Act.	2013 Year End Balance Est.	2014 Year End Balance Proj.
Consltd. County Gen.	\$3,295.4	\$2,757.8	\$116,441.1
Park General	\$1,975.2	\$871.7	\$66.7
Fire General	\$9,159.9	\$6,636.4	(\$49,298.0)
IMPD General	\$5,634.5	\$11,757.2	(\$126,285.7)
City PST Fund	\$4,918.3	\$38.5	\$32,858.1
City Rainy Day Fund	\$24,693.5	\$1,193.5	\$1,193.5
County General	\$2,132.7	(\$1,148.8)	\$2,384.8
County PST Fund	\$3,596.2	(\$7.4)	(\$3,610.9)
Sheriff Med. Care	\$29.7	\$0.9	(\$10,688.8)
Guardian Ad Litem	(\$589.5)	(\$589.5)	(\$1,839.5)
County Rainy Day Fund	\$4,126.6	(\$79.3)	(\$79.3)
<b>TOTAL GENERAL FUND</b>	<b>\$58,972.5</b>	<b>\$21,431.0</b>	<b>(\$38,858.1)</b>

*Note: Figures for 2013 are based on June 2013 data/information and may change as the fiscal year continues.*

The figures above make several assumptions which are noted below:

- **Fiscal Year 2013:**

- Figures assume **\$15.0 million** on one-time revenue sources that will not be realized in future fiscal years.
- Figures assume a reversion of **\$5.2 million** that are not currently included in the 2014 figures.
- Figures assume all current fiscal ordinances that are being considered by the Council or have been approved by the Council.
  - Potential fiscal ordinances that may occur in the future will be updated in the fund balance report
- Assumes **\$3.0 million** in the Personal Services Contingency Fund is utilized by the city and county.

### Deficit Mitigation Options

The city and the county continue to identify savings and revenue opportunities to negate the deficit of the general funds looking ahead. In 2013, a budget agreement was reached to identify roughly 5%, or \$30 million, of budget reductions during 2013. As of mid-June, the city and county have reduced agency budgets by \$1.6 million via fiscal ordinance, identified roughly \$5.2 million in one-time reversions and approximately \$1.7 million in new on-going revenue sources. Overall, roughly \$8.5 million of the \$30 million target have been identified, and OFM continues to work with agencies to meet the goal by the end of the year.

In addition, the following items are initiatives or changes which the city and county have, or could, move forward with to reduce expenditures, enhance revenues or improve fund balances:

- Eliminated prior year encumbrances that are no longer necessary. Currently, the city and county have reduced prior year encumbrances by roughly **\$1.7 million**, improving the general fund balance going into 2014.
- Examine the implementation of a fuel surcharge for public safety starting in 2013. The potential on-going revenue could add between **\$1 million and \$1.5 million** annually in new revenue to public safety.
- Continue to provide services to residents of Indianapolis and Marion County with less staff. In 2012, the city and county **filled 62% of vacated** full-time non-union positions in order to reduce headcount and costs while providing critical services to residents.
  - o While savings were realized by having less staff, these were offset by increased benefit and employee costs such as health insurance coverage, retirement benefit rates and pay increases.
  - o Created a Strategic Hiring Committee to review and approve personnel transactions
- Reductions in employee liability costs such as workman's compensation and unemployment claims by approximately **\$1.5 million** through 2013.
- Examples of reductions in spending and revenue enhancements across multiple agencies:
  - o ISA reduced contract spending by **\$3.3 million** from 2012 to 2013
  - o Code Enforcement renegotiated towing management contracts saving **\$300,000**
  - o Dept. of Public Safety staffing changes resulting in **\$230,000** in savings
  - o Community Corrections has identified nearly **\$1.0 million** in savings and revenue enhancement for 2013 and 2014
  - o Reorganization of Parks staff resulting in **\$250,000** in savings since 2012
  - o IMPD and IFD absorbed union pay increases in 2013 in the amount of **\$2.6 million**